Economics Bulletin

Volume 28, Issue 1

Research Announcement

The Aid-Growth Nexus: Empirical Evidence from Four Sub-Saharan African Countries.

Eric Ogunleye
University of Calabar, Nigeria

Tochukwu Nwachukwu
University of Ibadan

Abstract

There is a raging controversy regarding the impact of foreign aid on economic growth in developing countries. This paper contributes to the growing literature by examining empirically the impact of per capita aid on economic growth using the OLS methodology on time-series data covering the period 1961-2003 for four developing Sub-Saharan African countries, namely DR Congo, Ghana, Kenya and Nigeria, all of them recipients of aid but with different policy regimes and macroeconomic environments. Our empirical results show a mixed evidence of the impact of aid on growth. In the case of Nigeria and Ghana, aid positively impacted on growth in the current period, while this occurs in the case of DR Congo and Kenya at the first lag. On the other hand, negative effect of aid on growth is found in DR Congo and Kenya in the current period and second lag, and at lags one and two for both Ghana and Nigeria. The diminishing returns to aid phenomenon is observed only in the case of Nigeria.

Completed draft available on request from:
Eric Ogunleye
University of Calabar, Nigeria
erick_oleye@yahoo.com
Department of Economics, University of Ibadan
Ibadan, 200001, Nigeria
+ 234 8033364036(Phone)

Citation: Eric Ogunleye and Tochukwu Nwachukwu, (2007) "The Aid-Growth Nexus: Empirical Evidence from Four Sub-Saharan African Countries.", *Economics Bulletin*, Vol. 28 no.1 p.A1.
Submitted: January 25, 2007 **Published:** January 28, 2007.
URL: http://www.accessecon.com/pubs/EB/2007/Volume28/EB-07AA0001A.pdf